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THE *AZ81.8* *FZZ* M INDEX

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What is a Less Developed Country?

also in this issue:

Farm Credit: Lenders Look
Before Loaning

Cropland Drop

A Complex Business

The Extra Costs
of Being Poor

U.S.
Department
of Agriculture
Economic
Research
Service



What is a less developed country?

THE AGRICULTURAL OUTLOOK

Farmers' spring planting intentions for 1970 are now being added to the Nation's statistics.

Judging by March 1 survey responses, farmers will plant 258 million acres to 17 crops this year. This is an increase of 3 percent, or 6.4 million acres, from 1969 plantings.

The biggest acreage increases? Mostly in corn, sorghums, soybeans, oats, and spring wheat other than durum.

Corn: up 2.4 million acres (4 percent) to 66.7 million acres. Increases range from 3 percent in Illinois, Wisconsin, and Nebraska to 8 percent in Missouri and Kansas. Southern States as a whole are standing more or less pat.

Sorghums: up 1.1 million acres (6 percent) to 18.6 million acres.

Soybeans: up 1 million acres (2 percent) to 43.1 million acres—surpassing records set the past 9 years in a row.

Oats: also up 1 million acres (4 percent) to 24.6 million acres—compared with a record low of 20.6 million in 1967.

Cotton (12.2 million acres), *hay* (62.1 million) *flaxseed*, *fall potatoes*, *dry peas*, and *peanuts*: all earmarked by farmers for slightly larger plantings.

Spring wheat, other than durum: up 750,000 acres (10 percent) to 8.5 million acres—but 10 percent less than 1968 plantings. Despite the smaller all-wheat acreage allotment, many durum producers shifted to hard spring wheat.

The sharpest drawbacks? They're not many but significant.

Durum wheat: down about 1 million acres (30 percent from '69 and 35 percent from '68) to 2.4 million acres. Reason: large durum stocks and hard spring wheat's price advantage.

Rice: down 321,000 acres (15 percent) to 1.8 million acres—a 23-percent drop from 1968. Reason: Acreage allotments were cut 15 percent for 1970 crop; world rice bowl is once again brimming, world trade is dampened, and prices have been weakening.

Sweetpotatoes, sugarbeets, tobacco, and vegetable seeds: also slated for somewhat less acreage.

Do farmers stick to their planting plans? By and large, yes—though plantings don't always jibe with intentions.

Sometimes farmers change them because of weather, the prospective labor force, post-March 1 announcement of government programs, altered forecasts of the general economic climate, trends indicated by the March crop report itself, or exigencies purely personal.

In the past decade, at least, farmers have usually followed their March 1 planting intentions fairly closely. (We won't go back to May 1899 when monthly crop reports and special surveys were first published.)

Some examples? Take soybeans. Plantings in 8 of the past 10 years were within 1 percent of intentions. And in all 10 years these intentions accurately indicated the direction of change from the previous year.

Tobacco, too. During the 1960's there was almost no difference between prospective tobacco plantings and acreage actually harvested. The past 3 years, total harvested acreage was about 98 percent of March indications. Only in 1965 was more acreage planted than anticipated. The 6-percent change was triggered by a May increase in the acreage allotment.

And feed grains. Across-the-board, the actual acreage planted to feed grains has ranged from 97 percent to 102 percent of March 1 intentions in the past 8 years.

✓ Corn plantings come closest to intentions. In 6 of the past 8 years they were within 1 percent of prospective plantings.

✓ Sorghums acreage changed considerably more than corn between March 1 and planting time, with changes ranging from 5 percent less to 12 percent more than indicated.

✓ Oats producers varied plantings from 4 percent below March plans to 8 percent above.

✓ Barley plantings ranged from 95 percent to 100 percent of intentions the past 8 years.

Lenders Look Before Loaning



From Appalachia to Hawaii, the farm finance tale reads the same: Credit is in heavier demand and harder to get as lenders take a sharper look at their customers.

When farmers' success stories of 1970 are written, managerial ability and production capability are phrases that will be cropping up more often than ever.

This will be especially true in cases where the farmer seeks credit—and there are indications that the amount they seek will continue to grow larger. At the same time, the scrutiny that lenders give to borrowers' abilities will be sharper than at any time in the past.

Farm expenses are expected to increase again this year, but not at last year's rapid pace. Realized net farm income for the first half of 1970 will probably remain near the level of the first half of 1969.

Realized gross farm income last year rose to about \$54.6 billion from \$51.1 billion in 1968.

Looking ahead again, farm-mortgage lending by life insurance companies may remain at a greatly reduced level this year. This leaves the bulk of such lending to Federal land banks and individuals.

Many commercial banks are reportedly reluctant to make many farm mortgage loans. But when they do make them, repayment periods are not expected to exceed 10 years.

Interest rates on farm loans are near record highs in many parts of the nation. A continuance of this situation is possible.

In 1969 the tight money situation, coupled with high interest rates, reduced the volume of long term money available for loans to farmers. The supply of funds for farm operating loans, while not plentiful or cheap, was more adequate than for farm mortgage loans.

As for real estate—interwoven with credit, of course—1970 will be a period of mixed marketing activity. Prices will probably go

up in some areas and go down in others. And with continuing tightness in the institutional farm credit markets, sellers will more frequently provide financing and rely heavily on mortgages or land contracts.

A look at supply and demand indicators—numbers of people looking for farms, numbers of farms available, and numbers of farm sales—suggests slower activity in the sales market. The demand for land to enlarge farms will continue to be channeled more toward rental rather than purchase. Much of the expected increase in use of credit will be tied to real estate transactions.

Farm lenders for whatever the loan purpose, however, are weighing production capacity more heavily than in the past. And their decisions will vary considerably, depending on the farm outlook where they are in business—whether it is Lewiston, Idaho, or Lewiston, Maine.

On a regional basis, here's how the farm picture looked at the beginning of this year:

Northeast: Optimism prevails. But due to the wide range in types of agricultural enterprises, all of them may not enjoy the generally good returns of 1969. A note of pessimism, for example, continues to persist this year among Maine's Aroostook County potato growers and Long Island duck farmers.

Lake States: "Cautious" is the most appropriate word for the general agricultural outlook. Lake Staters are particularly concerned about the possibility of higher input costs and the likelihood that bigger grain harvests may keep prices at a standstill, or possibly lower them. But better prices for livestock and dairy products in 1969 are considered a good omen for this year.

Corn Belt: Farmers' net income will cling close to, or slightly below, last year's level.

Livestock and poultry receipts will probably be lower, crop receipts slightly higher, and operating costs generally on the incline.

Appalachian Region: Most farmers entered 1970 in moderately stronger financial condition than a year earlier. It looks as though their farm income this year will be up enough to at least equal, and in many cases exceed, the probable rise in production costs. Demand for credit is likely to increase, as Appalachian farmers won't put off their plans to expand holdings and replace machinery much longer.

Southeast: Farmers in general started 1970 in much the same financial condition as in 1969, when livestock producers were about the only gainers. Production costs are almost certain to increase in 1970—more than prices that farmers will get.

Delta: Most commercial farmers in this region face an uphill pull to recover from 1969's reduced farm returns. Although their gross farm income is expected to be above last year's, higher production costs will leave them with about the same net income they've averaged the past several years.

Southern Plains: Here again, gross farm incomes should continue around the '69 level. But production costs are expected to increase about 5 percent.

This will probably mean slightly lower net farm income, even though livestock production is expected to increase in 1970. The uptrend in land prices will probably continue, as will demand for credit. But availability of funds will remain tight.

Northern Plains: Interest rates are expected to remain high or possibly go higher. Demand for real estate credit is expected to fall off a bit, as will the supply of credit, but there will be strong upward pressures on land prices

in irrigated areas.

Mountain Region: Farm operators appear to be taking a "wait and see" attitude on investment decisions. Credit will remain relatively tight and net farm income should be about the same as 1969. Machinery sales will probably be off due to continued high interest rates and reduced cotton, wheat, and citrus receipts for 1969.

Pacific Region: Farm forecasts are conservative, with some concern over inflationary pressures. Nevertheless, fruit and nut crops should be bigger than last year as a result of recent big increases of planted acreage in the San Joaquin Valley of California. Net farm income is expected to be slightly lower in 1970. Demand for credit, especially non-real estate credit, is expected to remain strong and interest rates will stay high.

Alaska: Farmers' net income from both farm and off-farm sources may approximate the 1969 level. As in most areas, demand for credit will be heavy but there will be less loanable funds available.

Hawaii: Last year's reduced cash receipts from farm marketings are a factor in the increased 1970 demand for credit. Both interest rates and costs are generally higher in Hawaii than for the U.S. mainland, and farms are generally either very small or huge. The tight credit situation will probably affect the little farms more than the big holdings.

Puerto Rico: The farmer's relatively poor financial situation at the end of 1969 is expected to improve this year. It looks as though his cash receipts from sales of coffee, tobacco, and sugarcane will be above levels of the past 2 years, and that production of livestock and livestock products will continue upward. The outlook for rural off-farm earnings is expected to remain relatively favorable. (1)

Small Feedlots Are a Fat Cattle Operation for Some in Colorado

Give a Colorado farmer some homegrown feed, some slack season labor, and a ready market for fed cattle . . .

And, next thing you know, he's in the feedlot business—even if only on a seasonal basis.

Of a total of about 1,266 cattle feedlots in Colorado at the beginning of 1967, there were 1,084, or 86 percent, that had a capacity of less than 500 head. And many of them—especially the small feedlots—were not making much money for their operators.

Just how much money Colorado farmers make on small feedlots was the subject of a joint research project of the Economic Research Service and Colorado State University.

The study was based on interviews with 60 farmers in north-eastern Colorado who operated feedlots of less than 500 head of cattle in the fall of 1968.

Some 63 percent of these farmers fattened cattle in their feedlots, while 37 percent used their feedlots to winter calves and yearlings to sell to commercial feeders for later finishing.

Average feedlot capacity was 177 head of cattle and the average farmer in the study operated at about 70 percent of capacity.

Typical rations included alfalfa hay, corn silage, corn and barley as grains, and a commercial protein supplement.

The farm itself was the major source of these feeds. About 90 percent of the roughage and 48 percent of the concentrates fed in the feedlots were homegrown.

Feedlot profits per head of cattle finished in 1967/68 averaged \$9.06 while those feedlots wintering calves and yearlings realized an average profit of only 93 cents a head.

Feed costs totaled \$19.22 per 100 pounds of gain for cattle fattened and \$17.59 per 100 pounds

of gain for cattle wintered.

The larger the number of cattle fed by each farmer, the less labor was needed per animal.

About 64 percent of the farmers made a profit on their feedlot operation. Others, however, either just broke even or found feedlots unprofitable.

The study indicated that some farmers may continue finishing cattle even when it does not show a profit.

The availability of their own farmgrown feeds and slack season labor apparently is incentive enough to turn to seasonal cattle feeding. (2).

Corporate Farms in California Extend Boundaries; Expand Sales

California's corporate farms are big businesses—both in terms of land area controlled and in gross farm sales.

Numerically, however, the corporate farm far from dominates this State's agriculture. Only 4 percent of all farms are operated as corporations, according to a recent ERS survey.

The rate of incorporation has slowed somewhat during the past few years. Instead, the trend is toward the expansion of existing corporations in an effort to build up marketing volumes. The bigger firms are doing this by buying out the smaller corporations, or by merging with large diversified corporations.

This could mean that in years to come farm corporations in California will account for an even greater share of the State's farm receipts. This share is now between 25 and 30 percent, and the second highest proportion found in any of the 50 States after that of Hawaii. The nationwide average is around 8 percent.

A relatively small number of firms control most of the land being operated as corporations in

California.

Of the nearly 1,700 corporate farms surveyed, size of holdings averaged 3,600 acres per farm. Only 90 farms had more than 10,000 acres. But they accounted for almost three-quarters of the total acreage run by corporations.

Farm sales, as would be expected, increased with farm size: three-fourths of the farms with 25,000 acres or more had annual sales of over \$500,000.

Other findings of this survey include these:

Over half of the corporate farms are controlled by families. (A chief reason for incorporation is to facilitate the transfer of assets from one generation to the next.)

Two-thirds of all corporate farms have fewer than five stockholders; only a few are run by big corporations with nonfarm interests; and corporations predominate in enterprises where capital requirements are greatest and risks of doing business are

considerable. In the latter category are livestock raising (corporations market about 40 percent of California's fed cattle), vegetables (fresh and for processing), fruits and nuts, and cotton.

Corporation farming is not a recent phenomenon in California agriculture, with some 30 entities already established by the year 1910. The number of corporations grew steadily until 1958, then rose sharply following a change in Federal tax laws.

Among other things, amendments to the law permitted certain types of corporations to be taxed the same as if they were partnerships. Almost 60 percent of the State's corporation farms were formed after new tax provisions went into effect.

(Note: For summary of corporate farming in States other than California, see *Farm Index*, March 1969, article based on *Corporations Having Agricultural Operations*, AER-142, by William H. Scofield, and George W. Coffman.) (3)

CALIFORNIA'S CORPORATE FARMS: A DISSECTION

Item	Unit	Type of corporation			
		Individual	Family	Other	All
Number reported (1969 survey)	Number	377	875	285	1,537 ¹
Total acres operated	1,000 acres	637	2,558	2,417	5,612
Average per unit	Acres	1,690	2,924	8,481	3,652
Distribution by acres:					
Less than 100	Percent	28	27	20	26
100-499	Percent	29	25	30	27
500-999	Percent	14	13	19	14
1,000-1,999	Percent	8	11	15	11
2,000-4,999	Percent	13	13	5	12
5,000 or more	Percent	8	11	11	10
Total	Percent	100	100	100	100
Year began operation as corporation:					
Before 1960	Percent	49	50	43	49
1960-66	Percent	45	46	51	47
1967-68	Percent	6	4	6	4
Total	Percent	100	100	100	100
Gross sales of farm products 1967:					
Less than 40,000	Percent	20	15	15	17
40,000-99,999	Percent	17	18	17	18
100,000-199,999	Percent	17	20	10	18
200,000-499,999	Percent	21	21	19	20
500,000 or more	Percent	25	26	39	27
Total	Percent	100	100	100	100

¹ Total estimated number including nonresponse, 1,673.

It Pays To Irrigate Your Pasture If Yields and Prices Are Right

Use precious irrigation water on pasture land?

Yes. Irrigating pasture land is a recommended practice in areas where specialty crops are not important. And it's catching on with more and more farmers.

But what about expected returns? How do they compare with the returns of irrigated crops?

Economic researchers, soil scientists, and livestock specialists at South Dakota State University pooled their talents with the Economic Research Service to answer these questions.

For purposes of their study, irrigated pastures consisting of a mixture of alfalfa, brome, and orchard grass in the Belle Fourche Irrigation Project were used.

Steers averaging slightly more than 500 pounds each grazed this pasture land an average of 107 days a year for 3 years starting late in May or early June.

The result was 334 pounds of beef per acre which—based on prices for the area—brought a net return of \$28.87 per acre.

What if the same acreage was used to plant two of the most widely produced crops in the area, corn or alfalfa-brome hay?

With the area's 64-bushel corn yield per acre in 1966, farmers could expect to net \$31.20 per acre per year—or \$2.33 per acre more than beef production.

(Irrigated pastures generally have poorer soils, so crop yields per acre could average less.)

If the area's 10-year average yield of 55 bushels per acre is used, however, the net return would be about \$21.75 per acre, or \$7.12 less than the value of beef produced.

Should the corn be harvested as silage, the net returns in both yield situations would slightly exceed that of corn for grain. This assumes that silage—either

as feed or as cash crop—has a value of \$6.50 per ton.

Planting the irrigated acres as hay for harvest at \$18 per ton and assuming a yield of 3.7 tons of hay per acre, net returns would be just under \$26.00 per acre, or about \$2.90 less than from beef production.

Thus, using irrigated pastures in the Belle Fourche Irrigation Project to produce beef may be as profitable, but not necessarily more so, than production of other cash crops in the area. (4)

10-Percent Rise in Farm Wage Rate Adds to Costs of Farming

Farm wage rates rose about 10 percent in 1969, while industrial wage rates went up only about 6 percent. But in terms of actual money, the production worker in manufacturing gained the most. His wage rate rose 18 cents, from \$3.01 to \$3.19 per hour.

The farmworker's comparable hourly wage increase (without room and board) rose from \$1.44 to \$1.58 for a gain of 14 cents. And averaging out all types of farm wages (hourly, monthly, and weekly—and with or without house, board, and room) the composite rate per hour went up only 12 cents, from \$1.21 to \$1.33.

Major factors contributing to last year's hike in farm wage rates were the continued tight labor market, inflationary forces, and an increase from \$1.15 to \$1.30 per hour in the minimum wage of farmworkers covered under the Fair Labor Standards Act.

(The minimum farm wage rate, however, is well below the average wage in many States. States in which the minimum is above the average wage are mostly in the South.)

Farm operators' outlay for labor was further increased last year by an upping of Social Security withholding taxes. On Jan-

uary 1, 1969, the rate for farmworkers was increased to 4.8 percent after holding steady at 4.4 percent the previous 2 years.

Also, labor costs were heavier for farm operators because of intense competition from non-farm industries.

And, in 10 States, a shortage of U.S. citizens to do certain jobs necessitated recruitment of foreign nationals as farmworkers.

In these States there was a 6-percent increase in "adverse-effect" wage rates. These are special minimum rates established by the Secretary of Labor in an effort to keep wage rates of U.S.-citizen farmworkers from being depressed by the competition from foreign workers.

The adverse-effect minimum rates for 1969 ranged from \$1.55 per hour in Virginia and West Virginia to \$1.76 per hour in New Hampshire.

Foreign nationals can be used on U.S. farms only when it is determined that bona fide shortages of labor exist.

Use of 18,399 foreign nationals was authorized last year. About 60 percent of these workers had jobs in Florida.

Although many of the foreign helpers in Florida worked in the sugarcane harvest—work which U.S. citizens usually do not do—a greater number than usual performed other jobs such as citrus and vegetable harvesting.

The other 40 percent were employed in nine Northeastern States, where they helped out with harvesting of apples, potatoes, and maple sugar.

Altogether, there were about 4.6 million workers on U.S. farms in 1969 (both family members and hired help). Despite the 3-percent drop in numbers from 1968, they put in slightly more man-hours of work.

Thus, 1969's farmworker not only received an increase in pay, but he appears to have added some hours to the length of his workyear as well. (5)

Much land is going into cropland but even more land is dropping out. The net result since 1944 is that farmers are producing more on 27 million acres less cropland.

Expansion in the Corn Belt, Northern Plains, Mountain, and Pacific Regions. Abandonment of many previously productive acres just about everywhere else.

That seems to be the story of U.S. cropland during the last 20 years or so.

Result: An overall drop of nearly 27 million acres of land

classed as cropland by the Census of Agriculture between 1944 and 1964.

Cropland (excluding pasture) dropped from 403 million acres to 376 million acres over the period.

But these gross figures obscure the fact that land was being developed in some parts of the country while in other areas it was being abandoned or converted from cropland.

During the 20-year period 1944-64, there were 868 counties that showed a total increase of about 27 million acres of crop-

land while 2,204 counties showed a total decrease of almost 54 million acres.

Not all land classed as cropland is used every year in the production of crops for harvest. Some is in fallow, some in soil conserving crops and some completely idle.

During the 20-year period, 39 million more acres went into this nonharvested category, bringing the harvested cropland down a total of 66 million acres—from 353 million acres to 287 million acres.

The idle, summer fallow, and



soil improvement crop categories of nonharvested cropland include acreage diverted from crop production under various farm programs.

As these programs increased during 1944-64, so did the cropland acreage that was not harvested.

Nonharvested cropland, instead of accounting for only one-eighth of all U.S. cropland as it did in 1944, today accounts for one-fourth.

Three-fourths of the increase in nonharvested cropland was found in the Plains and Mountain Regions. In these areas, nonharvested cropland accounted for almost one-third of total cropland in 1964, compared with only one-seventh in 1944.

In the Corn Belt and Lake States, nonharvested cropland—despite an increase in acreage in 1964 over 1944—still represents only a seventh of the total cropland in those areas.

The new cropland developed during the period may be found in several well-defined areas.

In Florida it was tied in with both drainage and irrigation projects. In the Mississippi Delta it was associated with clearing and draining. And in the Texas High Plains, California, and Washington, it was related to expanded irrigation facilities.

In Northern Montana, cropland expansion went along with improved dryland farming techniques. And throughout the Corn Belt, various farming innovations such as drainage, clearing, contouring, and leveling helped bring new land into crop production.

Cropland abandonment occurred mostly in States south and east of the Corn Belt (except for Southern Florida and the Mississippi Delta).

Chief causes of cropland abandonment east of the Mississippi were low soil fertility and low adaptability of small, rough, and isolated fields to modern machinery needed by today's farmer. (6)

Local Officials Size Up Needs Of Their Bailiwicks in Pennsylvania

Rate your town:

Does it provide all the services and facilities you think it should?

How would you add to or improve on those services and facilities?

That, in essence, is what was

asked of the local government officials most likely to know—some 3,588 township leaders in Pennsylvania—in a recent study conducted by the Economic Research Service and the Pennsylvania Cooperative Extension Service.

Township government in Pennsylvania corresponds roughly to rural small town government elsewhere.

PENNSYLVANIA POLL: 3,500 TOWNSHIP OFFICIALS SIZE UP COMMUNITIES' NEEDS

Facilities and services	Township does not have but "needs" item (A)	Township has item but "needs to improve it" (B)	Item "needed" or "needs improvement" (A + B)
Percent			
Public			
State roads	4*	63	67
Planning	27	30	57
Recreation board	36	20	56
Zoning	31	22	53
Township roads	4*	49	53
Sewage disposal (municipal systems)	34	16	50
Subdivision ordinance	25	23	48
Police protection	22	25	47
Financing public facilities	22	23	45
Street lights	12	21	33
Fire protection	8*	18	26
Ambulance	14	12	26
Snow removal	2*	18	20
Public or private			
Supervised youth programs	38	28	66
Medical facilities and services	30	36	66
Industrial development	41	25	66
Adult recreation programs	38	24	62
Playgrounds and parks	34	28	62
Garbage and trash disposal	22	29	51
Recreational facilities	17	25	42
Public transportation	19	21	40
Housing	11*	24	35
Water supply (quantity)	13	19	33
Water supply (quality)	11	17	28
Private			
Employment opportunities	30	34	64
Sewage disposal (individual homes)	14	39	53
Eating facilities	22	26	48
Taxpayers association	30	16	46
Lodging places	20	21	41
Shopping facilities	16	24	40
Service stations	9	11	20

*Percent may be somewhat in error due to interpretation of question by respondents.

(8)

The population of the 990 townships represented in the study ranged from under 500 to slightly over 2,000.

And the officials polled included township supervisors, solicitors, secretaries, township managers, auditors, and others.

Between 1960 and 1965, the expenditures of townships rose at a greater rate than for any other unit of local government in Pennsylvania.

In the early 1960's roads were the single biggest expense item for townships.

But the amount of money spent on sewage and refuse disposal, recreation, protective inspections, libraries, and health services jumped more than 100 percent each from 1960 to 1965.

Outlays for roads and police and fire protection also grew but less rapidly.

The overall results of the survey revealed a widespread feeling among officials that many facilities and services were either needed or could be improved.

A majority of those polled saw a need to secure or improve nearly half of the 31 facilities and services included in the survey.

Over 50 percent of them, for example, felt their townships either needed new roads, planning, zoning, recreation, and sewage services or that existing servicing of these items could be improved.

And just as many felt that more youth and adult programs, parks, medical services, industrial development, and refuse disposal facilities were needed in the townships.

They also felt that more employment opportunities should be made available from private companies and individuals.

Most officials polled felt township fire protection, ambulance, snow removal, and water services were adequate. Less than a third indicated they saw a need for improvement in these areas.

The services they felt needed

the most immediate attention were sewage and garbage disposal, water supply, and roads. All were named as worthy of first consideration.

Next in line were planning, parking and subdivision, medical services, police protection, and recreation in that order.

A higher proportion of officials from heavily populated townships said they already had most facilities and services.

Townships in Pennsylvania—like towns in rural areas everywhere—represent small areas and relatively small groups of people. They therefore should be the most able to tailor local facilities and services to local demands.

Many forms of governmental cooperation are also available so that townships can coordinate with other local governments to secure cost reductions. (7)

Personal Property Taxes; Some Take Big Bites; Others Eschew It

When the founding fathers declared ownership of a horse, cow, or plow to be a sign of taxable wealth, the American concept of the personal property tax was born.

And, in one form or another, some U.S. citizen has been paying personal property taxes ever since.

From the time of post-Revolutionary War days, property (both personal and real estate) has been a major source of revenue for State and local governments.

By now, most State governments have substituted other taxes for the property tax. But almost all local governments depend mainly on the property tax for their tax revenue. (Federal revenues come mostly from income taxes and other sources.)

The major classes of farm property other than real estate against which taxes are levied are livestock, farm machinery, motor

vehicles, and household goods.

These items all fall under the general classification "personal property." And in 1967, the treasuries of State and local governments were enriched by \$382.5 million in taxes levied on this farm personal property.

Taxes on livestock represented about 55 percent of this total; farm machinery, 27 percent; motor vehicles, 14 percent; and household furniture, 4 percent.

Types of farm personal property taxed thus have a marked effect on farm operating costs.

The total amount of taxes levied against personal property in 1967—both farm and nonfarm—was more than double that paid in 1950. But payers of these taxes had one consolation: Real estate taxes rose even faster over the past 10 years.

Personal property tax levies represented 17.1 percent of the total 1967 tax bill (including real estate); in 1952 they represented 22.0 percent.

This proportion has declined almost every year since 1959 and will probably continue to decline in the future.

The reason? Six States did not permit local governments to tax farm personal property in 1967, and three other States have now joined them in passing laws exempting personal property from local taxation.

Only 28 States provided detailed breakdowns of personal property assessments in 1967. If the same ratios also apply for the nonreporting States which still levy personal property taxes, the total personal property tax bill for that year would be apportioned as follows:

Farmers owning livestock have paid about \$210 million. The tax on farm machinery would have been about \$105 million. Owners of motor vehicles (farm and nonfarm) would have paid about \$54 million, and owners of household furniture (farm and nonfarm) about \$15 million. (9)

Concern for Workers Rises As Tobacco Machine Impact Nears

Technological advance is a mixed blessing to the flue-cured tobacco industry.

As labor costs rise no doubt machines will lower the costs of producing our flue-cured type of tobacco. But they will also replace the chief source of income for many workers. And many of those workers are Negroes.

Flue-cured tobacco, in fact, is the last major farm industry which employs large numbers of Negroes either as workers or as farm operators.

Negroes, in 1967, made up 36 percent of the people in farm operators' households. They also accounted for 85 percent of regular hired workers, and 89 percent of the croppers used in the flue-cured tobacco industry.

That same year an estimated 471 hours of labor were used per acre.

It took more than 295 million man-hours of direct labor to produce all the flue-cured tobacco grown on 627,000 acres.

This is more than the man-hours used that year to produce all the Nation's cotton (242 million hours), all its oil crops (226 million), or all its food grains (206 million).

If tobacco-harvesting machines and other labor-saving technology were used to the fullest, labor requirements per acre would drop about 225 hours—from 471 hours to about 246 hours.

This full use of machines is not expected in the next 5 years, however.

Current estimates indicate that by 1975 perhaps only 10 to 15 percent of the flue-cured crop will be mechanically harvested.

In trying to estimate what impact this will have on the workers and farmers affected most, there is a serious void in available information.

The total amount of work that

goes into tobacco production is known. And so is the amount of this work that's done by hired workers.

It's also known that the situation is somewhat different from that of machines taking over in the cotton fields of the South.

Unlike the case with cotton mechanization—when there were no major alternative crops that used a lot of hand labor, and virtually no nonfarm industry in the region—the Southeast flue-cured area has some fruit and vegetable production and quite a bit of nonfarm industry.

What isn't known is how much each hired worker depends on tobacco for his livelihood. Nor is it known how old the hired tobacco worker is, how much schooling he's had, or how many and what kind of jobs he's held for how long.

This makes it difficult to gauge the chances of a displaced tobacco worker to get another job.

However, from meager information gathered from small-area studies, it appears that he'll have difficulty competing against the nonfarm job seekers who generally are younger, better educated, and have a more stable employment record. (10)

Farmer Age and Farm Size Not Related in Columbia Basin Study

Full owners of farms in the Columbia Basin Project of Washington State have more farm assets than part owners or tenants.

They are also the oldest, at 46 years. Age of part owners averages 44 years; tenants, 37 years.

The average age of all operators studied was 44.8 years. And there appeared to be little relationship between farm size and age of operator. Not enough, anyway, to support a theory that the young farmer is on the smaller farm and the farm will expand as he grows older. (25)

Everybody But Local Government Benefits From a New Industry

For years, the standard prescription for improving the economic health of a depressed rural area has been a strong dose of new industry.

Often, this goes a long way toward curing the patient.

But many local government officials are now learning that—as with any strong medicine—the injection of new industry into an area has certain side effects. And not all of them are desirable.

A study of new industries in five small towns in Kentucky indicates that for the first 5 years positive fiscal gains to local government overcame negative side effects *only* when nearly all employees were previously local residents and the new firms paid property taxes.

Overall, the typical new manufacturing plant in the towns studied had a negative net fiscal impact on local governments—especially school districts—and here's why:

—Some new firms were either granted property tax concessions or the plants themselves were owned by the town and untaxable.

—Many employees lived in rural areas and paid very little additional property taxes in the towns, even though introduction of the new plants tended to raise their incomes.

—In most towns the small influx of new employees and their families raised school costs without greatly raising tax revenue.

—Secondary economic effects, such as increased business, apparently did not have a measurable indirect impact either on town activities or tax revenue.

Two major factors appear to determine a new firm's net fiscal impact on local government—how many new residents it attracts (particularly school children), and what share (if any) of local taxes the new firm pays. (11)

When Interests Converge

Though food firms take various marketing tactics many assume a vertical, horizontal, or conglomerate shape—and the goal is almost always efficiency and the dollar.

Industries have the urge to merge for many reasons. Profit is important. But there are other factors too: company growth, management prestige, tax shelter, personal power, and efficiency.

The need to join technological know-how, develop new products, and minimize the cost of entering new markets are still further inducements to a "business marriage."

Mergers and acquisitions may be horizontal, vertical, conglomerate, or a combination of the three.

A horizontal merger combines two firms with operations in the

same industry and at the same level of operation. Thus, they always eliminate at least one company from a market.

Vertical mergers and acquisitions combine two firms within the same industry, but at different levels in the production-marketing chain. For instance, a manufacturer may acquire a retail store specializing in the sale of his type of products.

Conglomerate mergers and acquisitions are combinations of different industries—with distinctly different production functions, and sometimes different levels of marketing—all operating under the same corporate roof.

A recent study of "business marriages" in meat packing firms, dairy processing companies, and retail grocery firms between 1959 and 1967 shows that horizontal mergers were by far the most

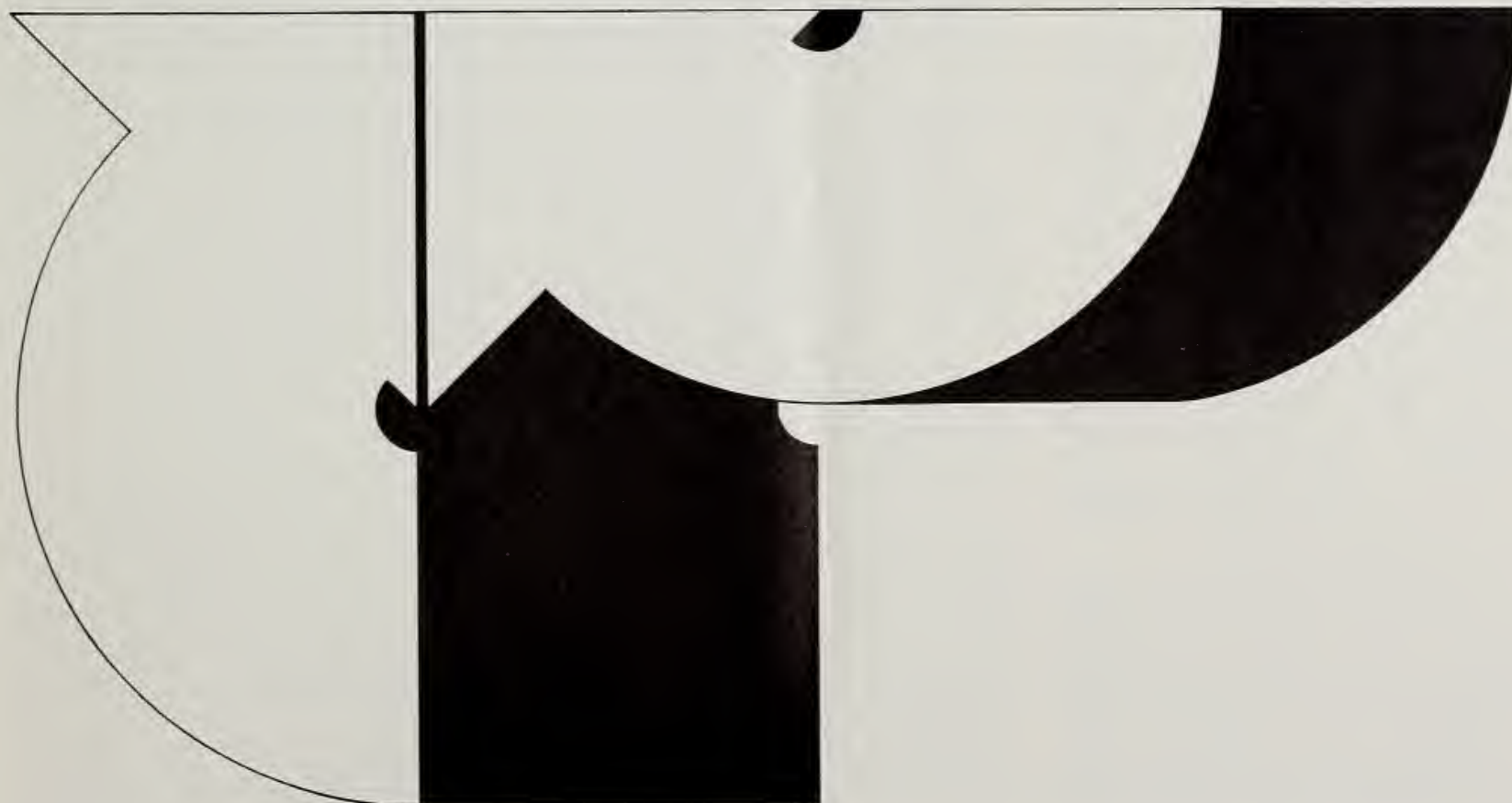
prevalent—at least in these three types of businesses.

Going even further back, mergers were extensive between 1947 and 1967. The meat packing industry averaged 10 acquisitions per year between 1947 and 1958, and 28 per year between 1959-67.

For the same periods, dairy processing companies averaged 54 per year for the earlier period, and 56 for the latter. In contrast, retail grocery firms averaged 82 annually in 1952-58, but 47 in 1959-67.

Mergers and acquisitions in the three industries combined averaged 131 per year between 1959 and 1967. This included 84 horizontal, 20 vertical, 10 conglomerate food, and 17 conglomerate nonfood.

Of this total number, the dairy industry was responsible for 43 percent; the meat processing and



packing industry, 21 percent; and the retail grocery industry, 36 percent.

In the meatpacking and processing industry most of the mergers and acquisitions have been "horizontal."

Between 1959 and 1967 there were about 249 mergers and acquisitions in the meat industry. Horizontal, along with some vertical mergers, represented 83 percent of the total. About 61 percent of these were within the same industry at the same level of operation; 22 percent were within the same industry at different levels of operation.

Forty-nine percent of the purchases were made by firms with over \$10 million and under \$50 million in assets, and 44 percent by firms with \$50 million or more in assets. Firms with assets under \$10 million (or not reporting) accounted for the remaining 7 percent.

It is difficult to gauge the effect of mergers and acquisitions on the total number of firms in the industry. No definite trend was apparent between 1959-66, and annual shifts in firm numbers far exceeded the number of mergers and acquisitions.

The three largest corporations in the meat industry (assets over \$100 million) had 34 percent of total sales, 39 percent of total assets, and 21 percent of total profit between 1959-66. The same three corporations were responsible for 17 percent of the total number of mergers and acquisitions during this period.

The dairy industry made 507 mergers and acquisitions between 1959 and 1967. This was more than double that of the meat industry, and more than in the retail grocery industry.

About 60 percent of the mergers were horizontal—despite anti-trust policy against horizontal mergers in the marketing of dairy products.

Dairy companies made more conglomerate acquisitions than

did the other two industries—about 24 percent of the total.

The dairy industry averaged 56 mergers and acquisitions per year. Nearly half (47 percent) of them were within a group having relatively small assets (under \$10 million or not reported). About 42 percent were made by the over \$50 million group. The medium-sized group was the least active.

The dairy industry had a larger number of firms with over \$100 million in assets than did the retail grocery or meat packing and processing industries. But the number of firms of this size fluctuated so much from one year to the next that it wasn't possible to compare mergers among firms of this size in the dairy industry with the other two industries.

The number of dairy processors dropped by about 20 percent between 1959 and 1966, according to data from the Internal Revenue Service. The number of mergers and acquisitions equaled about two-thirds of this change.

The retail grocery industry had 423 mergers and acquisitions between 1959 and 1967—second in number to the dairy industry. Eighty-two percent of these were within the same industry, and most were horizontal. Conglomerate mergers accounted for 18 percent.

Mergers and acquisitions were more evenly divided among the various levels of assets in the retail grocery business than in the other two industries. The \$10 million and under \$50 million group accounted for 31 percent; the group over \$50 million for 30 percent; and those with under \$10 million or not reporting, for the remaining 39 percent.

The retail grocery industry had three firms with assets of over \$100 million. Three percent of the total number of mergers and acquisitions were made by the three largest firms. They held about one-fourth of the sales and assets. And, in 1959, they earned 32 percent of the profits.

Except for 1963, the total number of retail grocery firms went up each year. This rate of growth was substantially greater than the rate of acquisitions and mergers.

From all indications, the use of mergers and acquisitions as a method of growth will continue. And if horizontal and vertical mergers continue to be the dominant forms of merger, there will be a gradual increase in market concentration nationally.

However lower stock prices, higher interest rates, and the possibility that tax regulations may be changed could slow merger activity substantially in the immediate future. (12)

Prediction 1980: Farm Processing Firms Up Output by 90-95 Percent

Activities of the agricultural industry have undergone revolutionary changes in the past two decades.

Producing, processing, packaging, transporting, and retailing food and fiber products and related goods and services that consumers want, have become increasingly complicated operations as they've become more interrelated and responsive to consumer demand.

Farms these days tend to be larger, more specialized, and more commercial. And they require greater amounts of capital, as well as fertilizers, chemicals, processed feed and seed, business services and equipment and other "inputs."

Consumers spent about \$115 billion for food and beverages in 1968. Only about 5 percent of that amount came directly from the farm. Processing industries delivered about two-thirds of the total; trade and transportation services, accounted for more than a fourth.

Processors' purchases of farm products for use in food and bev-

erages—when added to direct farm sales to consumers—represented about a fourth of total consumer expenditures for food and beverages.

By using some recently released industry input-output flows for 1963 for 82 industries, the complex relationships among agricultural industries can be illustrated.

A billion dollar increase in deliveries of food livestock products to consumers, for example, would require increases of about:

—\$1,320 million output of livestock products.

—\$435 million of other agricultural products.

—\$216 million in food manufacturing.

—\$60 million in transportation and warehousing.

—\$81 million in wholesale and retail trade.

—\$43 million in business services.

—\$500 million in other industries.

In other words, a gain of about \$2,660 million in economic activity would be needed to increase final deliveries of food livestock products to consumers by a billion dollars.

Although we know little about how these industry relationships are changing as the economy grows, it is possible to make some rough projections for a few highly aggregated industry groups, (assuming a doubling of the GNP from 1968 to 1980).

The value of farm output went up about a fourth from 1958 to 1968. By 1980, it is projected to increase by about a third from the \$62 billion 1968 estimate.

However, since the market for processing and services is expanding ever more rapidly, the output of farm processing industries is projected to rise 90 to 95 percent from 1968 to 1980.

The projected output by 1980 for other manufacturing industries is expected to double, and the output of the service industries will more than double. (13)

Honey Flows Plentiful in the Land As Busy Bees Set Record in '69

Honey.

Bears are reputed to love it. And the owl and the pussycat "took some honey and plenty of money" when they sailed off on their pea-green boat.

So it may come as a relief to the animal kingdom—and to a world of people as well—to know there's no lack of honey in U.S. hives.

In fact, honey production in 1969 reached a record level of 283 million pounds. That's about 40 percent above 1968.

Beeswax production was up from 1968 too—by about 38 percent—at 5.5 million pounds.

There were slightly fewer bee colonies producing honey in 1969 (4,762,000 compared with 4,770,000 a year earlier) but the average yield per colony was 60 pounds—a sweet 18 pounds above the 1968 average of 42 pounds.

The bees were, of course, as busy as bees, and perhaps even busier than usual. But good weather and ample supplies of nectar from the flora of nearly all States contributed to high production, too.

In mid-December, producers reported 67 million pounds of honey on hand for sale. There were 43 million pounds a year ago. Stocks in mid-December represented 24 percent of the 1969 honey harvest, compared with 21 percent in 1968.

Despite high production, all types of honey—extracted, chunk, or comb—whether sold wholesale or retail—brought higher prices in 1969 to both farmers and non-farmers.

Several factors may account for the rise in prices. For one thing per capita honey use went up from 1.1 pounds in 1968 to 1.3 pounds in 1969. And stocks had been low since the shortage of honey supplies in the world market in 1967 and 1968.

Beekeepers got an overall

average price of 17.4 cents per pound. The 1968 average was 16.9 cents.

Average wholesale honey prices by product ranged as follows:

	1969	1968
Extracted	15.2	14.7
Unprocessed, bulk	13.6	12.9
Processed, bulk	17.0	16.0
Processed, packaged	24.0	23.8

Retail prices were as follows:

Extracted	31.6	30.6
Chunk	32.3	29.8
Comb	41.1	40.0

(14)

Pricing Policies of Nonregulated Carriers Gives Inkling of Rates

Many a grain marketing decision hinges on the dollar difference between shipping by truck, barge, or rail.

But nowadays it's getting pretty tough to figure what those dollar differences are.

Transport rates charged by the nonregulated grain carriers—trucks and barges—are not publicly available. As a result, decision makers may have trouble making any long-run plans for plant or storage location and grain procurement and distribution policies. They can't easily weigh the costs of alternative modes of transportation.

Because of the need for data on the pricing policies and actual charges of various means of transport, the Economic Research Service recently did a study of the pricing policies of truck and barge transporters in the 11 North Central States.

The study was based on interviews with managers and operators of country elevators, terminal elevators, and flour mills, and on information supplied by motor carrier owners and associations, State transportation regulatory agencies, State departments of agriculture, grain handling trade

associations, motor carrier tariff bureaus, and barge line people.

Motor carrier transportation was found to be a most important factor part in the movement of grain to and from country elevators.

Trucks provided all inbound transportation to the country elevators, and half of the outbound transportation.

About 45 percent of the grain received by the terminal elevators arrived by truck, although only 10 percent left the terminal by truck. (Most left by barge—since most major grain storage terminal facilities have had a tendency to be located along major waterways.)

Railroads moved more than 80 percent of the grain going to the 14 flour mills studied, and, except for mill food, approximately 90 percent of the grain products shipped from the mills. Transit arrangements offered by railroads are critical to the flour milling industry.

Data on actual shipment costs obtained from the country elevators, terminals, and mills were significantly different from the "suggested charges" collected from the motor carrier owners and associations, State regulatory agencies, and other secondary sources.

It may, therefore, be misleading to try and estimate trucking costs by using the "suggested charges" of truck brokers, associations, and others—at least in the North Central Region.

Rates tend to be negotiated on an individual basis since the highly competitive nature of the business doesn't lend itself to pre-arranged rates or list of charges.

The study also indicates that published barge rates or tariffs represent the maximum rates charged. Discounts from published rates ranging upward of 30 percent may occur as a result of seasonal demand variations as well as an alleged oversupply of barge equipment. (15)

Fertilizer's Sales Pulse Taken From Buying Habits of Illinoisans

How much and what types of fertilizer 900 farmers in Illinois bought between 1961 and 1965 is past history now.

But if history repeats itself, as they say, a recent "historical" study by ERS of fertilizer purchasing patterns during those years may be of use to today's fertilizer producers as well as farmers.

Gross income, farm size, type of farming, location, season, fertilizer prices—all of these factors were found to affect farmers' buying habits.

The total quantity of fertilizer bought by the 900 farmers went up by about 65 percent from 1961 to 1965. And the amount spent on fertilizer went up from a little less than half a million dollars in 1961, to over a million dollars in 1965. The average price of fertilizer increased from \$70.80 per ton to \$75.90 per ton between 1961 and 1965.

Large commercial farmers—those with gross incomes of over \$10,000 or with farms of more than 220 acres—increased their use of fertilizer by 103 percent, while smaller farmers showed an actual decrease of around 6 percent. This may be due partly to the fact that the number of farmers in the survey with incomes of over \$10,000 increased, while the number with lesser incomes went down.

Farmers with larger commercial operations tended to purchase larger quantities of all fertilizer types at a slightly higher price per ton. But actually they paid slightly less per pound for each fertilizer nutrient.

This was because commercial farm operators purchased higher analysis fertilizer, and got nutrients N_1 , P_2O_5 and K_2O , at a much lower cost per pound of nutrient.

Most fertilizer was purchased in the spring—from March

through June. These spring buying sprees accounted for 61 percent of the total annual tonnage purchased and 58 percent of the number of purchases. The average quantity purchased in the spring was 5.6 tons.

Nearly 45 percent of all fertilizers bought were as primary plant nutrient materials for direct application. The major share of all nitrogen (81 percent) was in this form. And 39 percent of the phosphate, as well as 26 percent of the potash, were bought as primary plant nutrient materials.

Most popular of the nitrogen fertilizers was anhydrous ammonia. The price per pound of nitrogen was lowest when it was bought in this form.

Rock phosphate was the most frequently bought phosphatic material in terms of gross tonnage. The tonnage of rock used in Illinois has declined substantially since 1961-65 and other phosphatic materials now are more widely used.

Muriate of potash (60-percent K_2O) was the major potassic fertilizer used by farmers in this study.

Dry mixed fertilizer in bags accounted for 24 percent of the total fertilizer purchased. About 50 percent of all phosphate and 62 percent of all potash farmers bought was in this form.

The four most popular dry mixes were 4-16-16, 5-20-20, 6-24-24, and 12-12-12.

Liquid fertilizer mixtures accounted for only 10 percent of the total fertilizer bought. During this period they were not considered a "good buy" in terms of price.

Bulk blended fertilizer mixtures, while they accounted for only 21 percent of all fertilizer bought over the 6-year period, showed a 215-percent increase in terms of tonnage, (1,161 tons in 1961 compared to 3,654 tons in 1965). And since then they have increased even more. (16)



"Poor" is

... paying more for many of the necessities of life than others do

... trying to balance spending and income with no savings to cushion emergencies

... buying in the neighborhood at whatever the prices happen to be

... buying in amounts you can afford and not being able to take advantage of "twofers and three-fers"

... buying whatever quality shoes and trousers you can manage on your time payments

... paying more interest on credit terms because it takes longer to pay.

The poor, it has been said, can't afford to be frugal.

Not only does the low-income family have less money to spend, but its freedom of time, place, quality, amount, and mode of purchase is severely restricted.

For example, *time of purchase*. The "thrifty" housewife can use fluctuations in prices—seasonal variations, weekly "specials," and the like—to good advantage. But the housewife at the bottom of the economic scale can take little advantage of these possible savings.

While the buying habits of the more affluent members of the buying public are determined par-

tially by personal convenience, those of the poor are dictated almost exclusively by need of the moment.

Of what use is a sale on children's summer clothing in September if the seat just gave way in Johnnie's only pair of winter school pants this week?

Where one buys items can also have a distinct effect on how much these items cost. And again, the "poor" mother of a family has little control over where she spends her money.

The suburbanite can leave the children with a babysitter and take off in the car for whatever store has the best buy. She can classify her needs by purchase type—greens at one market, eggs at another, or draperies at one end of the city and appliances at the other.

Not so the poor. No babysitter, no car, no bus or taxi fare—in short, no freedom. The "poor" consumer, often makes her purchases at the store within closest walking distance and pays whatever the price happens to be.

Another handicap of the low-income shopper is not being able to buy *quality* products. If, for instance, a \$4.00 pair of shoes lasts only 2 months, and a \$16.00 pair of shoes lasts 18 months, which is really cheaper? The answer is obvious.

But even though the low-income housewife may be aware of the advantage of buying a more expensive brand or item, she cannot take advantage of the knowledge.

Buying in bulk is yet another way to keep household costs down. But unlike her more affluent sister, the housewife in a poverty pocket is not able to exploit the benefits of bulk buying.

If a mother has to feed a family—she cannot forego buying milk in order to purchase five extra cans of beans which happen to be on sale at six for a dollar. She cannot stock up on certain "specials" if she has no freezer.

Credit, too, is difficult if not impossible, for the poor to obtain. And when they can get it, it often works against them by enmeshing them in a financial web which they often do not understand and are powerless to control. Credit to the relatively affluent is often a payday-to-payday convenience; to people at the poverty level, it is usually a long haul leading to a far higher cost per item than the average person would pay.

There are other costs, too, to being poor. Some of these are inextricably interwoven with the economic costs of poverty. Some are the result of poverty. All are degrading. There is an entire spectrum of educational, psychological, and physical costs which go along with poverty.

The educational deficiencies of the poor are well known. Hopelessness, joblessness, fear, and frustration foster psychological deficiencies in the poor. And many poor people exist under physical conditions which inexorably sap their energies and abilities to resist.

"Poor" isn't lazy; it's just very tired and often ill.

Thus, the importance of three

Classy Meats

Which is your family more likely to eat in the course of a week: Vienna sausages or chicken livers?

Your answer may not only reveal little known facts about your family's eating habits. It may also dictate what income bracket your family falls into. At least it did in a recent study of household meat-eating patterns.

The study showed that middle-income families ate more luncheon meat than lower or higher income families. On a per person basis they ate about half a pound each week.

Variety meats, on the other hand—such as heart, liver, sweetbreads, and tongue—were most popular with families at the highest and lowest income levels. (18)

separate types of aid comes more clearly into focus.

The first and most far-reaching is educational. Education has long term effects. It also has multiplier effect.

What a nutrition aide teaches one low-income homemaker about low-cost meals sometimes is known to the lady down the block before the aide gets there. What the mother learns about food preparation is learned by her children through example. And what children learn in 4-H and in school is carried home and can influence the parents.

Economic help is another way of reducing the costs of being poor. Each dollar added to a low-income family's budget for food or clothing gives them a better chance to take advantage of sales and quantity purchases. The USDA's Food Stamp Program provides some of this type of leverage.

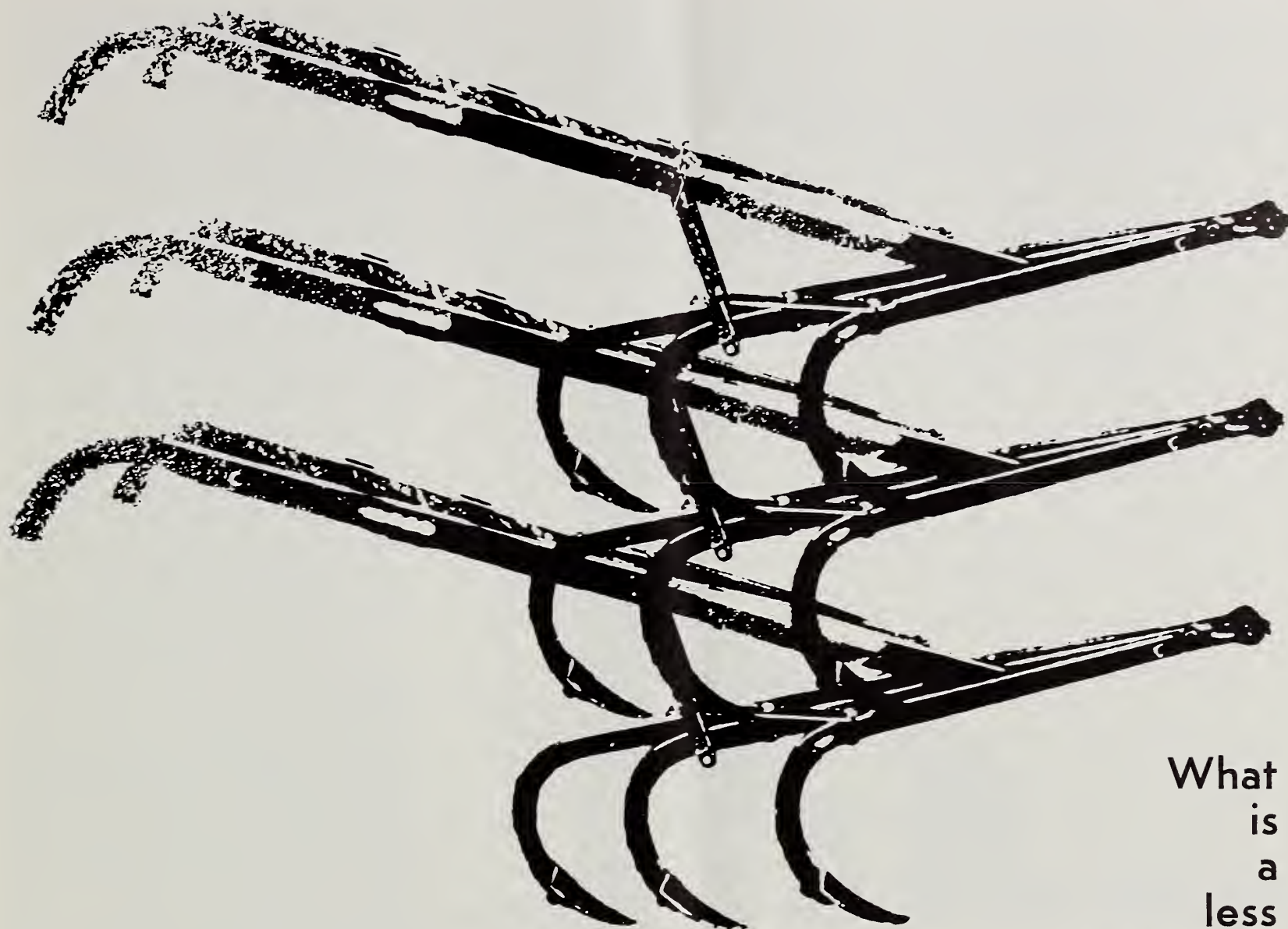
Help to overcome the psychological effects of being poor—motivational help—is also necessary.

Researchers recently asked 1,249 heads of households in the Mississippi Delta Region—both poor and affluent—whether they would be willing to take special training, change jobs, or move to a distant city to better themselves.

Apparently poverty status had no bearing on the response of these residents to the questions. The persons most willing to take free training courses or make a 200-mile move were just as apt to be poor as affluent.

It is likely however, that no single one of the three approaches—educational, economic, or psychological—will alone do the job of lowering the cost of being poor.

But if all three approaches are used together, the results should go a long way toward providing the poor with a fifth freedom already enjoyed by the two-thirds of our Nation who are not poor—the freedom to buy necessities at the lowest possible cost. (17)



What is a less developed country?

Less developed lands the world over—though often dissimilar in many respects—usually share at least this dominant and defining characteristic: low productivity.

Juan S. earns less than \$200 a year.

Like most everyone in his village, and most everyone in the countryside around him, his livelihood is farming. His wife has borne him eight children, although only five survived infancy. And, by the law of averages in his country, no one in Juan's family is likely to live to 65—retirement age in our country.

Juan's existence, bleak by U.S. standards, is not uncommon in many less developed countries—be they in South America, Africa, Asia, or elsewhere.

While there's no precise definition of a less developed country, these nations the world over share certain basic characteristics.

Almost invariably, low productivity is the dominant and defining feature of the typical less developed country. This characteristic is reflected in the country's low per capita income.

Most often, too, less developed countries have a predominantly rural, labor intensive economy.

Capital and technological know-

how are limited. Therefore, a less developed country must use the bulk of its manpower (and woman-power), as well as other resources, to meet the first priorities of demand: food, clothing, and shelter. This limits resources for use in producing other products or for developing untapped natural resources.

It is to be expected that at early stages of development a high proportion (50 to 80 percent) of the labor force is employed at agriculture, but once \$1,000 or more per capita income is attained, the percentage drops drastically. However, many developed countries—such as Fin-

DEGREE OF DEVELOPMENT. The dividing line between a more developed country and a less developed country is not clear cut because countries are at various stages of development. Nor is there any universal formula for such a classification.

A combination, or "mix," of financial, political, cultural, and social factors enters into judging the degree of a country's development.

In categorizing countries as more or less developed, economists rely heavily on levels of per capita income. They do this for two reasons: (1) income statistics are more readily available than information about other basic characteristics, and (2) income per capita is a direct measure of economic progress.

Using levels of per capita income as the basic criterion, however, does not eliminate some exceptions to the general classification. Libya, Kuwait, or Iran are examples. Through the development of a rich resource base (oil in their cases) some "less developed countries" have average per capita incomes equal to or exceeding those of some developed countries.

Yet large regions within such countries have very low per capita incomes and the living conditions of most of their people are very similar to those of people in any other less developed country. It is because of this poor distribution of income that they are considered less developed.

Today, when referring to less developed countries (LDC's), one usually means all of Africa except the Republic of South Africa, all of Asia except Japan and communist Asia, Israel, and all of Latin America. Within Europe, Albania and Portugal should be included—though this will vary depending on the criteria used.

Below is a list of factors that are sometimes used in judging the development of a country.

Average values (around 1965) of these factors are shown for developed and less developed countries. Although no one of these is sufficient—as in the case of income per capita—to determine development levels, the combination is a basis for a useful division between developed and less developed countries.

Factor	Less developed	Developed
Income per capita	123 dollars	2,200 dollars
Labor force in agriculture	68 percent	18 percent
Population in agriculture	70-90 percent	15 percent
Primary producing industry (agric.)	70 percent	—
Daily caloric intake per capita	2,400 calories	3,060 calories
Calories of animal origin	17 percent	36 percent
Daily protein intake per capita	66 grams	97 grams
Income spent on food	47 percent	29 percent
Birth rate per 1,000	40	17
Death rate per 1,000	20	11
Life expectancy at birth	49 years	71 years
Level of literacy	32 percent	98 percent

land, Austria, Iceland, and Italy—still have substantial portions of their populations employed in agriculture.

The importance of agriculture in countries with relatively high economic status reflects the influence of other factors such as technology, capital, and managerial skill so necessary for a nation's development.

With low productivity and low per capita incomes, less developed countries generally have a large share of their agricultural production concentrated in cereal and raw materials.

This is probably true because it takes a larger share of land and managerial ability to produce meat and other traditional high protein foods than it does to grow cereal and starchy crops.

As a result, nutritional standards are poor in many less developed countries.

Not only are their diets generally inadequate, but many underdeveloped nations also suffer from deficiencies in hygiene, public health, and sanitary facilities. These rudimentary health conditions—combined with low levels of education and literacy—contribute to high mortality rates and low life expectancy at birth.

However, the less developed countries are undergoing a demographic revolution as mortality rates, especially among infants, are declining with the spread of modern preventive medicine. But birth rates, usually the last to decline, are still high in most low-income countries, creating population pressures.

With few exceptions, less developed countries also share a severe shortage of capital which implies that they do not have enough reinvested domestic savings and foreign exchange.

Limited savings, in turn, mean a limited amount of capital for investment in schools, hospitals, adequate housing, transportation, telecommunications, power facilities, and other evidences of so-

cial and economic advancement.

Agricultural commodities make up nearly 83 percent of total exports for the less developed worlds as a whole.

However, the strong tendency for low-income countries to export somewhat similar commodities and the existence of excess production capacity for certain commodities generate price pressures that limit the foreign exchange earnings less developed countries need to import goods required for development.

Most less developed nations also share a basic cultural characteristic: a socially weak or non-existent middleclass. The "elites" (salaried professionals, businessmen, and technical workers) typically constitute less than 5 percent of an underdeveloped nation's population.

Consequently, less developed countries often must rely on the more developed lands to acquire skilled manpower just as they must often rely on their more developed world neighbors for supplies of material needs. (19)

Nepal's Liberal Agriculture Policy May Push Trade To New Heights

Nepal's export-import business is looking up.

Foreign exchange holdings of the mountainous kingdom have improved significantly the last 2 years—largely because of a liberalized trade policy that is pushing exports to countries with convertible currencies.

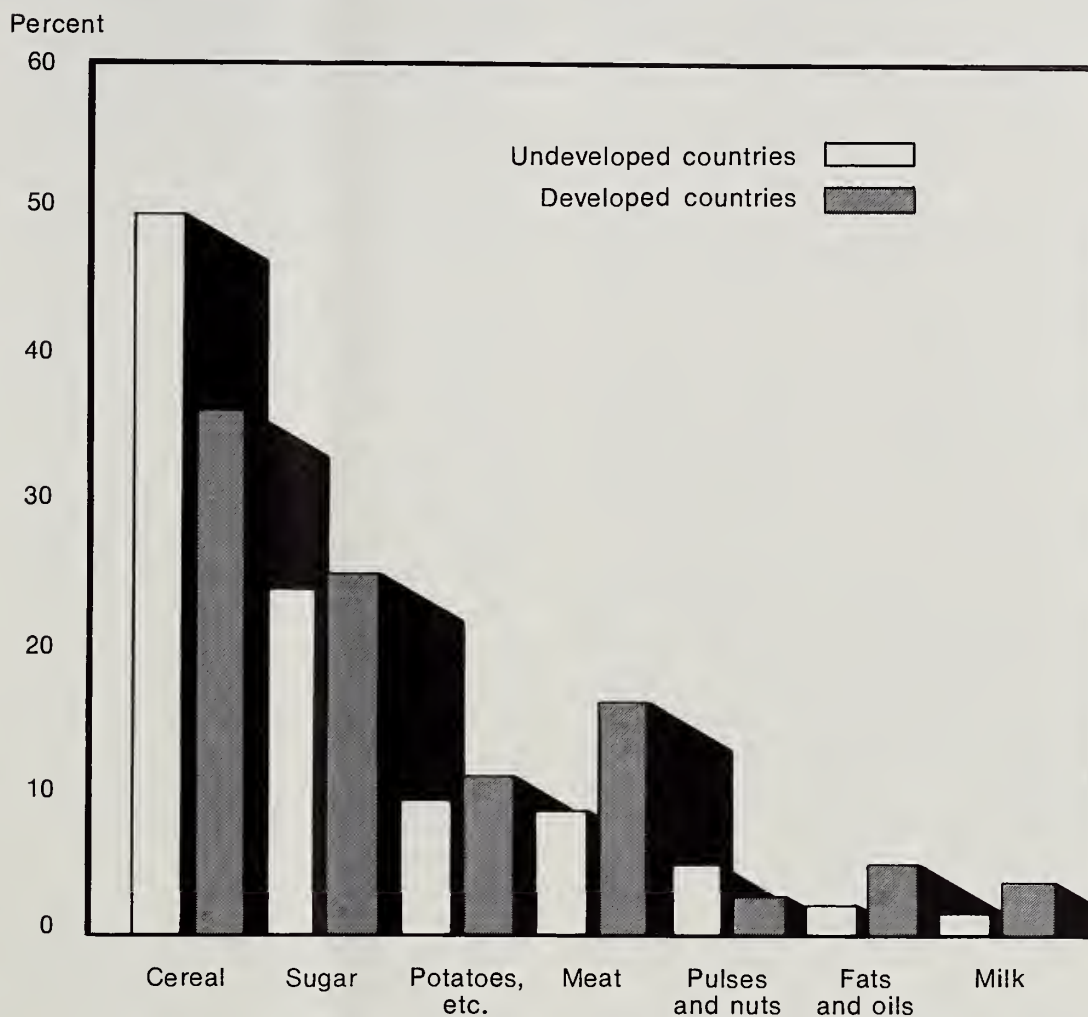
Under this program, exporters are allowed to use half the foreign exchange they earn from exports to import consumer goods.

Efforts are also being made to diversify agricultural production and thus improve the Florida-sized nation's marketing position.

Though neighboring India continues as Nepal's chief trade partner, Japan, West Germany, Belgium, and the United States are emerging as trade partners.

DIET DEFICIENCIES. Roughly 64 percent of consumer income in the less developed world is spent for food which supplies a daily diet often inadequate both in quantity and quality.

Because of the heavy concentration of farm production in cereal and starchy crops, daily diets in less developed countries are composed mainly of bulky type foods rather than body building protein foods.



Aside from rice (exports are from 150,000 to 250,000 tons annually) jute and jute products are the major export earners. Sales rose from \$1 million in 1966 to over \$12 million in 1969. And exports of tea, carpets, and handicrafts to Europe and the U.S. are expected to increase in the next few years.

The door is also opening for imports—American farm commodities among them.

A new cigarette factory at Janakpur is now importing about 2,000 tons of tobacco a year—a small part U.S. leaf and the rest from India.

A biscuit factory near the capital city of Kathmandu is importing U.S. flour. And some of the

canned foods, and beverages needed by Nepal's burgeoning tourist business are coming from the U.S., though Japan and the Scandinavian countries are getting a bigger share of this trade.

Estimates of Nepal's purchase of American agricultural commodities during 1970 run as high as \$300,000, a considerable rise from the \$135,000 worth of U.S. farm products imported during 1969. In addition, Nepal will receive some insecticides and fertilizer from the United States in 1970.

U. S. products most likely to be in demand include frozen chicken, turkey, choice beef, leaf tobacco, canned food, beverages, vegetable oils, seeds and flavorings. (20)

Lower U.S. Farm Sales to EC Traced to Area's Levy System

U.S. agricultural exports to the European Community dropped again in 1969 for the third year in a row. They totaled about \$1.3 billion, compared with \$1.4 billion in 1968.

All of the decline was traceable to commodities subject to the EC's system of variable levies. Our exports of these items, valued at \$340 million last year, fell off more than a fourth from the year-earlier level.

Basically, the variable levy is the difference between the high domestic EC prices and the lower world prices of commodities the Community produces and imports.

This system of variable levies and high price supports has led to sizable production increases in EC dairy products, poultry, wheat, sugar, and feed grains.

Here is the 1969 story of our exports of these variable-levy commodities to the EC:

Feed grains. U.S. exports of feed grains to the EC declined from about \$337 million in 1968 to \$225 million in 1969, with reduced takings by all members of the Community. Exports to the Netherlands, our biggest EC customer for grains, were down 1.1 million tons. Much of the grain we ship to the Netherlands is later transshipped to other countries.

Wheat. Last year's exports of U.S. wheat to the EC dropped about one-third from a year earlier (from \$83 million to \$56 million).

Most of the wheat shipped was high-quality, high-protein wheat used for blending. Also, large amounts of durum went to France and Italy for pasta products.

The EC's own wheat output, mostly soft wheat, has risen about 5 percent a year since 1962.

Rice. U.S. rice exports in 1969

climbed by 11 percent to an all-time high of \$31 million. The EC, a major world importer of rice, prefers the long grain varieties that the U.S. can best supply.

Poultry. High EC levies on poultry imports caused declines in U.S. sales of most poultry products, with the exceptions of baby chicks and turkey meat.

The total export value was \$13 million, compared with \$53 million worth sold in 1962. That peak year for U.S. poultry exports to the EC, was prior to the imposition of variable levies. Owing to a high internal price support on live poultry, the Community has since reached self-sufficiency in poultry meat.

Exports of commodities not subject to variable levies increased to \$929 million, 4 percent above the 1968 level. *Oilseeds and*

products accounted for 54 percent of the group.

Tobacco was up \$21 million over 1968. Other increases were recorded for *hides and skins, citrus fruit, other fruit, and variety meats*. Hides and skins rose by 10 percent to \$24 million. Combined exports of fruits and vegetables reached \$83 million, up 35 percent.

Cotton exports declined for the second consecutive year. (21)

Despite Drawbacks Upper Volta Takes Road to Economic Progress

Any step toward economic progress is a giant stride when a nation starts out with such meager assets as the nation of Upper Volta.

The people of this 10-year-old developing nation in West Africa are endowed with an annual per capita income of about \$50, only 40 miles of paved roads, and 341 miles of railway. There are no navigable rivers to the sea. And there are no really big cities (the largest is the capital, Ouagadougou, with around 105,000 population).

Even so, Upper Volta has made some progress in improving its national economy—mainly by focusing on production of livestock, cotton, and peanuts—its chief earners of foreign exchange.

A livestock demonstration center, construction of dams to provide drinking water for people and animals, and installation of a sugar refinery are examples of recent technical advances.

At the same time, fertilizer use is being stepped up and modern farm technology is being introduced, with the help of several French organizations. But on the whole, farming methods are still rather primitive.

Upper Voltans, however, are heartened by evidences of their nation's progress thus far on the road to development. (22)

Icy Imports

Cold hands are becoming more common among U.S. plant quarantine inspectors.

While these men in the Nation's port cities and border towns still check on more fresh than frozen produce, the quantity of iced fruits and vegetables arriving here from abroad is rising sharply.

About 120 million pounds of frozen produce were inspected in fiscal 1969, compared with 76 million pounds the year before.

Strawberries comprised over 90 percent of these shipments in both years. However, many other items are among the burgeoning number of fruits and vegetables now getting cold treatment en route to the United States.

Quality control is maintained by remote recorders in ships' holds that allow constant monitoring of temperature and humidity over specified periods.

In addition, preshipment fumigation by some exporting countries speeds up the inspection process on arrival. Wider adoption of this practice—and continued improvements in container reefers—indicates even more trade in frozen produce. (23)

A LOCATION-LOGISTICS SYSTEM FOR FEED FIRM MANAGEMENT. R. E. Lee and J. C. Snyder. MRR-867.

A location-logistics system for feed firm management is feasible, judging by the findings of this study. Potential improvements in profits as a result of using the location-logistics system in the analysis more than justified the time required for developing and using the system. The analysis revealed that with properly located plant facilities, the most desirable procurement, processing, and distribution combination could produce 8 to 10 percent higher returns than the poorest combination.

OUR 31,000 LARGEST FARMS Rad-
oje Nikolitch, Farm Production
Economics Division. AER-175.

Do large farms tend to dominate the farming industry? Is it necessary to farm certain types of enterprises on a large scale for economic efficiency? An Analysis of the Nation's 31,000 largest farms attempts to answer these and other questions often asked about large-scale farming. (See January 1970 Farm Index).

NATURAL FIBERS IN NONWOVEN MANUFACTURE. C. A. Moore, Marketing Economics Division, and O. C. Hester, Consumer and Marketing Service.

Nonwoven materials, a web or mat of fibers held together by a bonding agent, from both natural and man-made fibers, are advancing their share of textile production since there is no requirement for costly spinning and weaving processes required by regular fabrics. (See January 1970 Farm Index.)

HOUSEHOLD CONSUMPTION PATTERNS FOR MEAT AND POULTRY, SPRING 1965. Robert L. Rizek and George R. Rockwell Jr., Economic and Statistical Analysis Division. ERS-173.

A study on the substantial



RECENT PUBLICATIONS

The publications listed here are issued by the Economic Research Service and cooperatively by the State universities and colleges. Unless otherwise noted, reports listed here and under Sources are published by ERS. Single copies are available free from The Farm Index, OMS, U.S. Department of Agriculture, Washington, D.C. 20250. State publications (descriptions below include name of experiment station or university after title) may be obtained only by writing to the issuing agencies of the respective States.

growth in consumption of beef and broilers, declines in consumption of other red meats, and various changes in eating patterns by class of households—these are the general patterns indicated by two surveys, one in the spring of 1955 and another during the same period in 1965 of food eaten at home.

Both surveys excluded food eaten away from home and institutional eating, but do cover the cost of food eaten outside the home. (See March 1970 Farm Index).

FORECASTING CROP YIELDS, TOTAL PRODUCTION, AND GROSS INCOME FOR THE PALOUSE WHEAT-PEA AREA, 1970-1985. Edgar L. Michalson, Farm Production Economics Division. Wash. State Agr. Expt. Sta. Bull. 712.

The objective of the analysis is

to present a set of yield, production, and value estimates for the economically important field crops grown in the "wheat-pea" areas of Washington and Idaho.

Forecasts were made for winter wheat, winter barley, and dry field peas, so that farmers could evaluate future economic conditions and consider planting these crops in the years ahead.

ALTERNATIVE TOBACCO HARVESTING AND CURING SYSTEMS FOR THE NORTH CAROLINA COASTAL PLAINS. Bob Davis, Farm Production Economics Division, and J. S. Chappell, North Carolina Agricultural Experiment Station. N.C. Agr. Expt. Sta. EIR-12.

Interest in new techniques for harvesting flue-cured tobacco has been expanding since the middle 1950's when a self propelled machine was first marketed for harvesting the crop. Since that time new harvesters as well as new methods have been developed. This study reports on one part of flue-cured tobacco harvesting, curing, and marketing practices on tobacco farms in 14 counties of North Carolina.

URBANIZATION OF LAND IN THE WESTERN STATES. Henry W. Dill Jr., and Robert C. Otte, Natural Resource Economics Division. ERS-428.

This report examines the amount and type of land passing from rural into urban use. The report using air photographs show how farmland has been turned into shopping centers, and the number of people now using the newly acquired urbanized lands. The report covers a period from 1950-1960 and includes 48 counties in 8 western States.

Over 70 percent of the converted land went into dense residential use, homes with less than an acre of land, apartments, and row houses. Farmland was also converted into factories, parks, and airports.

NATIONAL AND STATE LIVE-STOCK-FEED RELATIONSHIPS. George C. Allen and Margaret Devers, Farm Production Economics Division. Stat. Bull. 446.

Livestock convert many kinds of feed into simple and soluble materials for absorption and assimilation. Much of the corn and other grains fed to animals is suitable for human consumption while about 60 percent of the feed consumed by livestock, mainly grass and other roughage, isn't.

Statistical indexes in the report measure the physical livestock-feed relationships on a State and national basis.

THE LOOK OF OUR LAND. AN AIR-PHOTO ATLAS OF THE RURAL UNITED STATES. THE FAR WEST. Simon Baker, Florida Atlantic University, and Henry W. Dill,

Jr., Natural Resource Economics Division. Handbook No. 372.

This atlas includes aerial photographic mosaics and stereo-photographic pairs for three areas in California, Oregon, Washington, and Idaho. This marks the first time aerial photos have been used to show and describe land use according to established regionalization of U.S. agriculture. The photo pairs can be viewed stereoscopically for three dimensional studies of the relationships between the earth's surface and the activities of man.

AGRICULTURAL PROSPECTS IN CHILE. Francis S. Urban, Foreign Regional Analysis Division. ERS-For. 288.

This report is a brief review of *Chile: Demand and Supply Projections for Agricultural*

Products, 1965-1980. That study was one of a series initiated by the USDA designed to evaluate the long-run potential supply and demand for agricultural products throughout the world.

USE OF INPUT-OUTPUT ANALYSIS IN STUDYING INDUSTRY PROBLEM CHANGES IN THE U.S. TEXTILE INDUSTRY. Philip F. Rice and Preston E. LaFerney, Marketing Economics Division. Tech. Bull. 1411.

This input-output analysis gives an insight into effects on domestic industries of increased textile imports and interfiber substitution.

The study also serves to demonstrate a potential useful research technique and to provide background essential to the refinements planned for future work.

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ECONOMIC TRENDS

Item	Unit or Based Period	'57-'59 Average	Year	1969		1970	
				February	December	January	February
Prices:							
Prices received by farmers	1910-14=100	242	277	267	286	287	290
Crops	1910-14=100	223	224	226	221	218	221
Livestock and products	1910-14=100	258	322	302	342	346	349
Prices paid, interest, taxes and wage rates	1910-14=100	293	373	366	378	383	386
Family living items	1910-14=100	286	351	344	357	360	362
Production items	1910-14=100	262	304	299	307	309	312
Parity ratio		83	74	73	76	75	75
Wholesale prices, all commodities	1957-59=100	—	113.0	111.1	115.1	116.0	116.4
Industrial commodities	1957-59=100	—	112.7	111.4	114.6	115.1	115.5
Farm products	1957-59=100	—	108.5	105.0	111.7	112.5	113.7
Processed foods and feeds	1957-59=100	—	119.8	116.3	122.6	125.1	125.2
Consumer price index, all items	1957-59=100	—	127.7	124.6	131.3	131.8	132.5
Food	1957-59=100	—	125.5	121.9	129.9	130.7	131.5
Farm Food Market Basket: ¹							
Retail cost	Dollars	983	1,173	1,136	1,214	1,223	—
Farm value	Dollars	388	477	452	497	500	—
Farm-retail spread	Dollars	595	696	684	717	723	—
Farmers' share of retail cost	Percent	39	41	40	41	41	—
Farm Income: ²							
Volume of farm marketings	1957-59=100	—	127	98	152	133	99
Cash receipts from farm marketings	Million Dollars	32,247	47,431	3,042	4,633	4,186	3,300
Crops	Million Dollars	13,766	18,939	1,020	2,176	1,635	1,000
Livestock and products	Million Dollars	18,481	28,492	2,022	2,457	2,551	2,300
Realized gross income ³	Billion Dollars	—	54.6	—	55.1	—	—
Farm production expenses ³	Billion Dollars	—	38.6	—	38.9	—	—
Realized net income ³	Billion Dollars	—	16.0	—	16.2	—	—
Agricultural Trade:							
Agricultural exports	Million Dollars	4,105	5,936	240	590.8	515.3	—
Agricultural imports	Million Dollars	3,977	4,958	316	481.8	480.1	—
Land Values:							
Average value per acre	1957-59=100	—	⁵ 179	⁶ 116	—	⁵ 179	—
Total value of farm real estate	Billion Dollars	—	⁵ 202.6	⁶ 200.6	—	⁵ 200.6	—
Gross National Product: ³							
Consumption	Billion Dollars	457.3	932.1	—	952.2	—	—
Investment	Billion Dollars	294.2	576.0	—	589.5	—	—
Government expenditures	Billion Dollars	68.0	139.4	—	141.8	—	—
Net exports	Billion Dollars	92.4	214.6	—	218.3	—	—
Income and Spending: ⁴							
Personal income, annual rate	Billion Dollars	2.7	2.1	—	2.7	—	—
Total retail sales, monthly rate	Million Dollars	365.3	747.2	723.9	770.6	774.3	777.6
Retail sales of food groups, monthly rate	Million Dollars	17,098	29,301	29,257	29,419	29,304	29,418
Employment and Wages: ⁴							
Total civilian employment	Millions	4,160	6,322	6,314	6,436	6,605	—
Agricultural	Millions	63.9	77.9	77.5	78.7	79.0	78.8
Rate of unemployment	Percent	5.7	3.6	3.8	3.4	3.4	3.5
Workweek in manufacturing	Hours	5.8	3.5	3.3	3.5	3.9	4.2
Hourly earnings in manufacturing, unadjusted	Dollars	39.8	40.6	40.1	40.7	40.3	39.9
Industrial Production: ⁴	1957-59=100	2.12	3.19	3.12	3.29	3.29	3.28
Manufacturers' Shipments and Inventories: ⁴							
Total shipments, monthly rate	Million Dollars	28,365	54,815	53,901	55,362	53,826	—
Total inventories, book value end of month	Million Dollars	28,745	54,611	53,302	55,277	55,185	—
Total new orders, monthly rate	Million Dollars	51,549	95,905	89,556	95,905	96,165	—

¹ Average annual quantities of farm food products purchased by urban wage-earner and clerical-worker households (including those of single workers living alone) in 1959-61—estimated monthly. ² Annual and quarterly data are on 50-State basis. ³ Annual rates seasonally adjusted fourth quarter. ⁴ Seasonally adjusted. ⁵ As of November 1, 1969. ⁶ As of November 1, 1968.

Sources: U.S. Dept. of Agriculture (Farm Income Situation, Marketing and Transportation Situation, Agricultural Prices, Foreign Agricultural Trade and Farm Real Estate Market Developments); U.S. Dept. of Commerce (Current Industrial Reports, Business News Reports, Advance Retail Sales Report and Survey of Current Business); and U.S. Dept. of Labor (The Labor Force and Wholesale Price Index).

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2 Cents More

What's in the market basket for the farmer?

In 1969, the farmer received 41 cents of each dollar that consumers spent on the market basket of farm foods.

His share in 1968 was 39 cents, and throughout the sixties it fluctuated between 37 cents and 41 cents annually.

The "market basket" is made up of 63 foods bought in retail food stores. These foods represent all food products—such as meat, dairy products, and fruits and vegetables—that originate on U.S. farms. (Imported foods, seafoods and other foods of non-farm origin, and the costs of "eating out" are not included.)

With the exception of fruit, farm values for all groups of farm products in the market basket were higher in '69 than the year before.

Increases in prices farmers received for meat animals and eggs were especially sharp. They accounted for most of the rise in the total farm value of the market basket.

This rise, coupled with higher marketing charges, pushed up the retail cost of market basket foods 4.9 percent in 1969. In comparison, prices of all goods and services bought by consumers rose 5.4 percent.

Retail cost of the farm-food market basket has accelerated in recent years. Since 1964 it has risen an average of 3 percent per year, compared with 0.6 percent per year from 1957-59 to 1964.

But consumers can expect the increase in 1970 to be less than the increase was last year. (24)

THE FARM INDEX

Contents

page

THE FARM. <i>Farm Credit: Lenders Look Before Loaning</i> —Credit tightens as lenders make closer appraisal.	3
RURAL LIFE. <i>Cropland Drop—Since 1944 U.S. farmers</i> <i>have produced more on 27 million acres less land.</i>	7
MARKETING. <i>When Interests Converge—If a merger</i> <i>means profit, food firms may do it in varying forms.</i>	11
THE CONSUMER. <i>The Extra Cost of Being Poor—Poor</i> <i>can't afford the luxury of shopping for bargains.</i>	15
THE FOREIGN SCENE. <i>What Is A Less Developed Country?</i> <i>Less developed lands have same ailment—low output.</i>	17

Numbers in parentheses at end of stories refer to sources listed at end of issue.

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